



November 1, 2005

INFORMATION REQUEST OR TRANSMITTAL NO. 05-06 Rev A

TO: Division Chief, Acquisition Management I Division
Division Chief, Acquisition Management II Division
Division Chief, Acquisition Management III Division
Division Chief, Administrative Services Division
Division Chief, Customer Relations Division
Division Chief, Acquisition and Property Management Division

FROM: David Sutfin
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SUBJECT: OMB Guidance for Katrina Relief Contracts

PURPOSE: This transmittal provides management controls to support the new \$250,000 purchase authority.

EFFECTIVE DATE:

Effective upon issuance and will remain in effect until canceled, amended or otherwise superseded.

SCOPE: This transmittal applies to all NBC/GovWorks acquisition personnel.

BACKGROUND AND DISCUSSION:

Section 101 Of Public Law 109-62, Second Emergency Supplemental Appropriations Act passed by Congress on September 8, 2005, raised the micro-purchase threshold to \$250,000. The Office of Management and Budget (OMB) has issued new guidance to agency acquisition and financial officers regarding the hurricane procurement policies enacted in this supplemental appropriations act. The guidance is to make sure that adequate management controls are in place so that funds are spent efficiently and responsibly in support of disaster victims.

The guidance issued to acquisitions and financial officers by OMB on September 13, 2005, is provided below:

Management Controls for Implementing Section 101 of the "Second Emergency Supplemental Appropriations Act to Meet Immediate Needs Arising From the Consequences of Hurricane Katrina"

A. Program management responsibilities.

1. There will be no blanket increase of cardholder authority. The head of each executive agency

(with delegation at a level no lower than the head of the contracting activity) must identify in writing those individuals who are authorized to use the higher threshold; these individuals must be working directly on Hurricane Katrina-related acquisitions.

2. Each agency must modify contracting officer and other warrants, as appropriate, and ensure that cardholders have sufficient training appropriate for the increased authority.
3. Agencies shall work with card issuing banks to raise monthly and single transaction limits accordingly.
4. Agencies must establish and communicate policies and procedures for determining whether a transaction is “in support of Hurricane Katrina rescue and relief operations” and therefore allowable under Section 101 of the Act.
5. All open market transactions (those not placed under existing contracts) that exceed \$50,000 must be pre-approved by a warranted contracting officer (other than the buyer or cardholder) or a senior manager at the GS-14 level or above.
6. The head of the agency must designate officials to conduct follow-up reviews of transactions made pursuant to Section 101 of the Act. These follow-up reviews should take place as soon as practicable, but no later than 60 days after any given transaction. The officials shall evaluate whether the transaction: (a) was consistent with agency’s policies and procedures identified in paragraph A.4, above, and was otherwise reasonable and appropriate; (b) provided the maximum practicable opportunity for small business participation under the circumstances (see paragraph B.2, below), and (c) was appropriately documented by the cardholder. Based on these reviews, the official shall make recommendations to the head of the agency on changes to the policies and procedures identified in paragraph A.4 above, and any administrative or disciplinary actions required.
7. Agencies should increase management controls to mitigate risk under the new micro-purchase authority. OMB Circular A-123, Appendix B, Improving the Management of Government Charge Card Programs, provides guidance on implementing strong internal controls. Examples include, but are not limited to the following, as may be appropriate:
 - Increasing the frequency and scope of reviews of spending and transaction limits to ensure appropriateness;
 - Limiting the number of individuals authorized to use the increased micro purchase threshold and the length of time this authority can be used;
 - Evaluating the span of control for approving officials;
 - Blocking card use for high risk merchant category codes; and
 - Establishing a control to ensure that card accounts are canceled when the employee returns from temporary duty or leaves the agency.

Agencies should review OMB Circular A-123, Appendix B for additional guidance on appropriate controls for charge card programs, with special emphasis on Sections 2.3 (planning), 3.4 - 3.5 (training), 4.3 - 4.7 (disciplinary actions, use of data, key personnel, etc.), 6.3 - 6.4 (creditworthiness), and Attachment 5 (best practices).

8. When initiating administrative or disciplinary actions for card misuse, charge card managers should, in addition to consultation with agency human resources professionals, where

appropriate:

- Communicate clearly the penalties for fraud and misuse of the purchase card;
- Initiate verbal counseling and warning;
- Provide written warning;
- Suspend or revoke charge card privileges;
- Suspend or revoke employee security clearance;
- Include misuse occurrence in employee performance evaluations;
- Suspend or terminate employment;
- Ensure consistent enforcement of penalties; and
- Publish actions taken by the agency for misuse of charge cards.

9. Responsibilities identified in this section that have been assigned to the head of the executive agency may be delegated to a level no lower than the head of the contracting activity.

B. Additional acquisition responsibilities.

1. Cardholders and ordering officials are reminded to ensure that prices are reasonable. These common sense determinations may take into consideration the extraordinary circumstances of the rescue and recovery operations.
2. Although there is no absolute requirement to award micro-purchases to small businesses, agencies using this authority are expected to provide small businesses maximum practicable opportunity under the circumstances to participate in federal acquisitions as prime contractors and subcontractors. Where possible and consistent with efficient acquisition of needed supplies and services, local small businesses should be given priority.
3. Section 307 of the Stafford Act (P.L. 93-288) establishes a preference, to the extent feasible and practicable, for contracting with local organizations, firms, or individuals for debris clearance, distribution of supplies, reconstruction, and other major disaster or emergency assistance activities.
4. If making a purchase on behalf of another agency, the agency making the purchase will ensure the requesting agency has the authority to make the purchase and fully document the purchase card transaction, including the date and time of the request, the name and contact information of the requesting official, and funding authorization.

QUESTIONS OR CONCERNS REGARDING THE IRT:

The point of contact for this IRT is Chief, Policy Division (703) 787-1537.